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Assembly California Legislature



S. JOSEPH SIMITIAN

ASSEMBLYMEMBER, TWENTY-FIRST DISTRICT

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December 19, 2003

The Honorable Arnold Schwarzenegger
Governor
State of California
State Capitol Building
Sacramento, CA 95814

Re: January 10 Proposed Budget/Basic Aid School Districts

Dear Governor Schwarzenegger:

I write to urge that your Administration's January 10 Proposed Budget for 2004-05 avoid any effort to resolve the State's budget difficulties by means of a property tax "take away" directed at so-called Basic Aid school districts.

This approach was initially proposed by the previous Administration in its January 10, 2003, Proposed Budget for 2003-04, and immediately set off a firestorm of opposition. Four months later the proposal was dropped from the May Revise, but only after extraordinary disruption to 60 or so school districts around the State.

As Chair of the Assembly Budget Subcommittee on Education Finance, I understand that the State faces an extraordinary challenge in balancing its budget, and in meeting the needs of kids and schools in the coming years. I also understand that every school district must share in the solution, including reductions in the level of State funding. Nevertheless, a Basic Aid "take away" of the sort proposed last year would be ill advised for the following reasons:

- **It is a *taking* of local property taxes.** What was proposed last year was *not* a reduction of State support to 60-plus Basic Aid school districts; it was a *taking* of local property tax revenues. At the risk of stating the obvious, the State can't reduce funding it doesn't provide.

- **Taxpayers in these districts are already doing their fair share.** In fact, taxpayers in these districts are already doing their fair share, and then some, in terms of funding public education. In the other 95% of the districts around the State, local property taxes only pay for a portion (roughly 46%) of the per pupil revenue entitlement. That leaves the State to pick up the remaining costs, to the tune of \$15 billion annually. By way of contrast, Basic Aid districts with excess property taxes receive no State support to meet each pupil's revenue limit entitlement — because the local district is already picking up 100% of that cost.
- **Basic Aid Districts have already taken a hit.** As a compromise to help resolve last year's budget challenges, Basic Aid school districts have this year lost their \$120 per pupil basic aid entitlement. They have lost an additional 1.6% of their revenue limit; and have suffered the same loss of categorical funding as have other districts.
- **Not all Basic Aid districts are “prosperous” districts.** Some Basic Aid school districts have achieved Basic Aid status simply because their established per pupil revenue limit (i.e., funding level) is so low it doesn't take much in the way of property tax revenue to exceed the per pupil revenue limit. In fact, I represent at least one Basic Aid school district with a revenue limit so low that if its “excess” property tax is captured by the State, the district will then qualify for State funded equalization aid to raise per pupil funding. In fact, more than half the Basic Aid districts around the State would have become “low-wealth” districts eligible for such aid if the previous Administration's proposal had been adopted.
- **Not all Basic Aid students are “prosperous” students.** Even districts with relatively high assessed property value may serve substantial numbers of low and very low income students — in schools with sufficiently large numbers of such students that they qualify for Federal Title I funds (for educationally disadvantaged students).
- **We must equalize up, not down.** The State's concern for and commitment to the needs of students in low-wealth districts is longstanding, as evidenced passage of AB 441, which began the process of *raising* the per pupil expenditure in such districts in 2001-2002. The previous Administration's proposal, contrary to that goal, was effectively a leveling down approach.
- **Not a single California school would be better off than it is today.** The capture of local property taxes which was proposed last year would have decimated the core instructional program in 60-plus Basic Aid school districts, with no tangible benefit to other kids or school districts around the State. It simply proposed to toss \$126 million dollars of somebody else's money into the black hole that is the State budget deficit.

- **It sets a bad precedent.** Once the State decides it's okay to take a local district's locally generated property taxes, what's to stop the State from laying claim to the additional property tax revenue generated by local parcel taxes approved in non-Basic Aid districts around the State?
- **Not just damaging, but undoable.** Given the requirements of State law, and the planning that schools must do for the upcoming school year, there is no realistic or feasible way for Basic Aid districts to cut their programs by 20, 30 or even 40 percent in the coming year. This is particularly true given the fact that if recent history is any guide, the budget won't be passed and this issue won't be resolved until well after the coming fiscal/school year is already under way.

We face hard times. I know that only too well. Regrettably, public education will not be immune. To their credit, teachers, parents, students and community members around the State are willing to work through it — to do the best they can with reduced support from the State. But to reiterate, a Basic Aid take away is not a cut in State funding, it's a taking of local property taxes. However well-intended last year's proposal may have been, it was, and is, the wrong approach to solving the State budget crisis.

I respectfully request that you and your staff craft a January 10 Proposed Budget that does not include a taking of local property tax revenues from our Basic Aid school districts. We've been down this path before. It's bad budget policy. Its bad educational policy, and it can only distract your Administration from the many challenges ahead.

Sincerely,

S. Joseph Simitian, Assemblymember
Twenty-First District

cc: Donna Arduin
Patricia Clarey
Richard Riordan